



South Carolina Department of Health and Human Services

Senate Finance Subcommittee

November 2, 2011

Presentation Agenda

- Introduction & Context
- FY 2012 Budget Update
- FY 2013 Budget Request
- Looking Ahead
- Questions and Answers

**Mission of South
Carolina Department
of Health and Human
Services:**

*“To purchase the most
health for our citizens in
need at the least possible
cost to the taxpayer”*



A dark blue, stylized background illustration. In the upper left, a large, light blue crescent moon is visible. In the center, a palm tree with a textured trunk and a large, spiky frond stands prominently. The overall style is minimalist and atmospheric, suggesting a tropical night scene.

Introduction & Context

Emerging Themes in Health Care

- 80 to 90% of health and well-being is not the result of health services, but income, education, personal choices, genetics and environment.

(Social Determinants of Health model)

- 30% of all health care expenditures in the U.S. in 2009 were actually excess costs that contribute nothing to health outcomes. The Institute of Medicine recommends pushing out 10% of excess health costs in 10 years.

(Institute of Medicine)

More health services do not always mean better health yet we continue to grow health care at twice the rate of inflation.

Removing excess costs from the system allows us to invest in other state priorities.

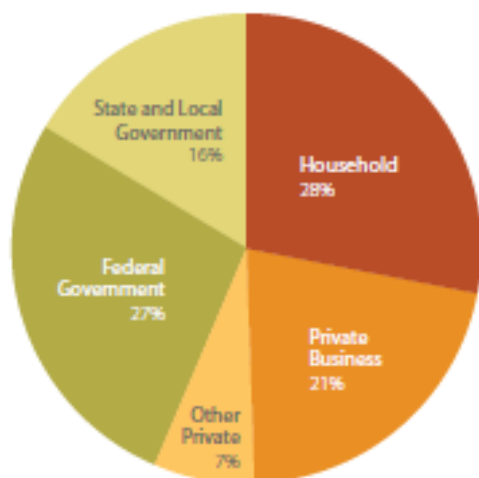
U.S. Spending in Health Care

Source: US Health Care Spending, California Health Care Almanac; Centers for Medicare and Medicaid Services (CMS)

U.S. Health Care Spending, 2009 . . \$2.5 trillion

Health Care as Share of GDP 17.6%
Per Capita Spending \$8,086
Growth in Spending (total/per capita) . . . 4.0%/3.1%

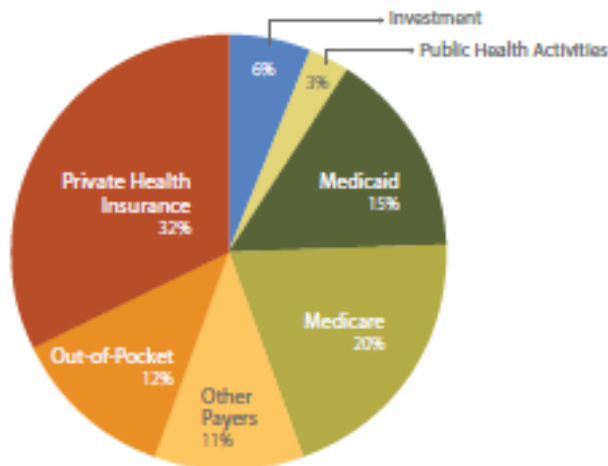
CONTRIBUTORS TO SPENDING, 2009



Growth Rates, by Spending Categories, 2009

Home Health Care 10.0%
Prescription Drugs. 5.3%
Hospital Care. 5.1%
Physician and Clinical Services. 4.0%
Nursing Care Facilities 3.1%
Dental Services -0.1%

PAYMENT SOURCES, 2009



Top Three Spending Categories for Major Payers, 2009

PRIVATE INSURANCE

Hospital Care 33%
Physician and Clinical Services 30%
Prescription Drugs. 14%

MEDICARE

Hospital Care 44%
Physician and Clinical Services 22%
Nursing Home/Home Health Care . . 12%

OUT-OF-POCKET

Dental and Other Care 23%
Other Medical Products 20%
Prescription Drugs. 18%

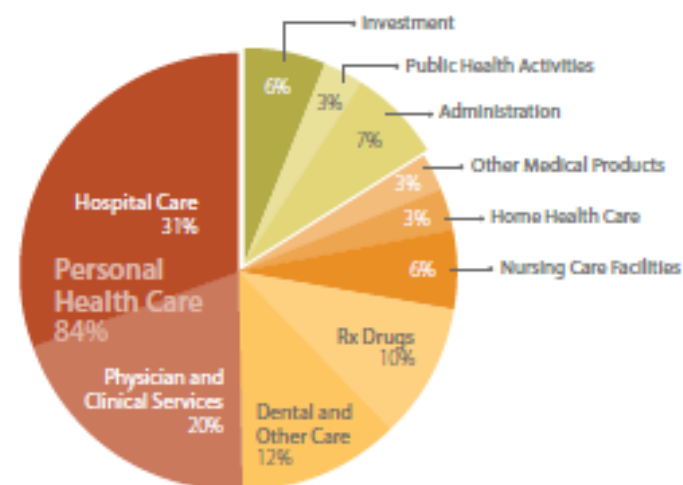
Reference Points, 2009

Federal Revenues as Share of GDP 14.9%
GDP Growth -1.7%
Consumer Price Index (CPI) Growth -0.4%
Medical CPI Growth. 3.2%

Average Annual Growth Trends, 1999 to 2009

GDP. 4.2%
CPI 2.6%
Medical CPI. 4.1%
Health Care Spending 6.8%
Health Care Spending Per Capita 5.8%

SPENDING CATEGORIES, 2009



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FY 2012 Budget Update

FY 2011 Actuals Compared to FY 2012 Budgeted

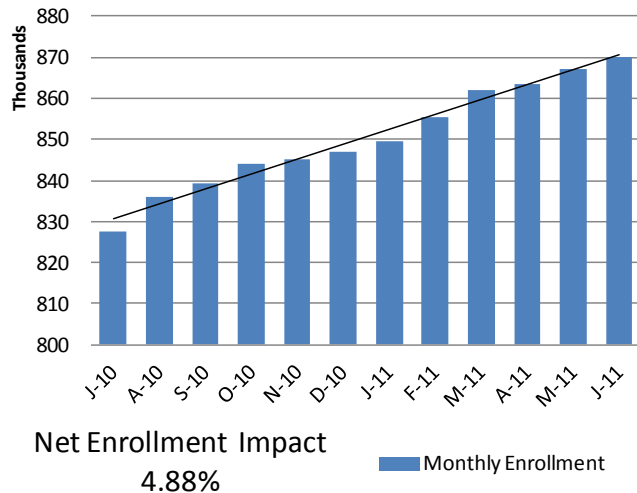
SCDHHS Comparative Budget Summary All Funds - FY 2011 Actuals to FY 2012 Budget			
	FY 2011 Actuals	FY 2012 Budget	% Chg
Annual Program Budget Allocations			
Medicaid Assistance	\$ 4,816,367,154	\$ 4,432,500,812	-8.0%
Other Health Programs	990,417,077	995,604,770	0.5%
Operating Expenditures	<u>75,419,937</u>	<u>81,645,554</u>	8.3%
Total Annual Program Budget Allocations	\$ 5,882,204,168	\$ 5,509,751,136	-6.3%

As of October 5, 2011, appropriation equals \$5.8 billion, which includes excess “other funds” and “federal funds” authority.

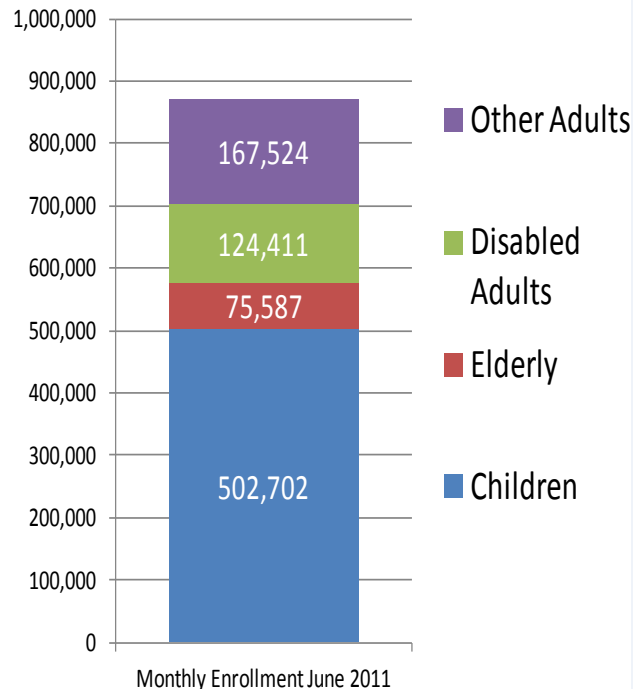
Budget Summary is a snapshot in time on Oct. 5, 2011.

FY 2012: Enrollment Overview

**Monthly Medicaid Enrollment
Most Recent 12 Final Months**



June 2011 Enrollment Snapshot



The most recent 12 months of program growth indicate a 4.88% increase equivalent to 42,500 members.

In June 2011, there were 870,000 members enrolled in Medicaid.

In FY 2012, enrollment is expected to grow by 40,000 members, which is approximately 4.7%.

As of June 2011, 50% of members are in MCOs, 18% are in MHNs and 32% are in FFS.

FY 2012: Initiatives and Cost Reduction Strategies

Summary of Major Cost Saving and Program Efficiency Initiatives

	All Funds <u>Total Reductions</u>	<u>State Match</u>
Hospital Services	150,239,401	50,556,976
Coordinated Care	86,385,689	25,751,574
Nursing Facilities	38,479,286	13,249,855
Pharmaceutical Services	26,715,213	8,393,290
Physician & Medical Services	32,822,898	9,784,508
Home Health Services	2,467,918	735,686
Community Long Term Care	18,962,434	5,652,703
Dental Services	8,563,432	2,552,759
Other Providers	25,547,007	7,458,671
Program Efficiencies & Cost Savings Initiatives	\$ 390,183,278	\$ 124,136,022
Elimination of Optional Programs/Services	\$ 15,762,094	\$ 4,698,680
Service Frequency Reductions	\$ 14,219,274	\$ 4,238,765
Cash Flow Management	\$ 125,649,200	\$ 37,456,026
Procurement Efforts	\$ 26,565,045	\$ 7,919,040
Other Cost Saving Efforts	\$ 15,156,774	\$ 9,613,024
TOTAL BUDGET SAVINGS	\$ 587,535,665	\$ 188,061,557

April 2011 reductions were annualized.

Policy and performance goals were applied in determining reductions.

Stakeholder collaboration mitigated further reductions. Examples include the Birth Outcomes Initiative, revamping the DME fee schedule and adjusting nursing homes' Medicaid patient days.

FY 2012 Q1 Expenditures

	FY 2012 Budget	YTD Expenditures as of 09/30/2011	% Budget Expended
SCDHHS Medicaid Assistance			
Coordinated Care	\$ 1,425,423,729	\$ 263,559,530	18%
Hospital Services	774,200,000	196,301,423	25%
Disproportionate Share	461,500,000	130,503,189	28%
Nursing Facilities	508,649,914	127,524,126	25%
Pharmaceutical Services	215,000,000	51,282,752	24%
Physician Services	187,930,440	43,815,959	23%
Community Long-Term Care	161,257,044	39,884,937	25%
Dental Services	99,514,454	27,401,668	28%
Clinical Services	68,000,000	16,513,681	24%
Transportation Services	55,000,000	11,599,230	21%
Medical Professional Services	44,005,591	11,052,304	25%
Durable Medical Equipment	40,600,000	9,553,392	24%
Lab & X-Ray Services	30,000,000	7,210,452	24%
Family Planning	22,734,324	5,890,490	26%
Hospice	12,000,000	3,141,611	26%
PACE	12,515,061	2,944,081	24%
EPSDT Services	9,600,000	2,640,097	28%
Home Health Services	7,002,337	1,756,268	25%
Integrated Personal Care	5,270,600	1,306,216	25%
Optional State Supplement	17,297,318	4,125,629	24%
Premiums Matched	179,000,000	45,097,874	25%
MMA Phased Down Contributions	79,000,000	18,830,178	24%
Premiums 100% State	17,000,000	4,077,344	24%
Total SCDHHS Medicaid Assistance	4,432,500,812	1,026,012,430	23%
SCDHHS Other Health Programs			
States Agencies & Other Entities	897,605,813	203,009,416	23%
Medical Contracts	97,998,957	9,741,967	10%
Total SCDHHS Other Health Programs	995,604,770	212,751,383	21%
SCDHHS Operating Expenditures			
Personnel	46,846,502	11,997,845	26%
Benefits	15,463,946	4,198,670	27%
Other Operating Costs & Contracts	19,335,106	4,548,657	24%
Total SCDHHS Operating Expenditures	81,645,554	20,745,173	25%
SUB-TOTAL SPENDING/BASE BUDGET	5,509,751,136	1,259,508,985	23%

Factors affecting Q1 expenditures include administrative payment timing, claims lag, coordinated care payments and premium adjustments.

2 of 11 payments for MCOs were made, 29.2% of personnel and 26.4% of provider payments were made.

Dental transactions are up by 30% and recipients are up by 22% over this point last year.

FY 2012: Tracking Access to Care

Provisos 90.16 and 21.48



Proviso 90.16 (Health Care Maintenance of Effort Funding)

...the department shall develop methods and criteria for determining how access issues will be identified, assessed and addressed... The department shall provide an assessment of access to care as part of the reporting requirements stipulated in Proviso 21.48.

Proviso 21.48 (Medicaid Reporting)

Within ninety days of the end of each quarter in Fiscal Year 2011-2012, the department shall report each cost-savings measure implemented. By county, the department shall report the number of enrolled and active providers by provider type, provider specialty and sub-specialty, the number of recipients, the number of recipients by provider type, the expenditures by provider type and specialty, and service level utilization trends. The department shall continue to annually report HEDIS measures, noting where measures improve or decline....

***How SCDHHS is measuring
geographic accessibility:***

Distance and Time to Care

Provider to Recipient Ratio

Medicaid Enrollment

Growth Patterns

Service Utilization

Waiting Lists

Coordinated Care Access & Satisfaction

2010 South Carolina Medicaid Health Plans Report Card

		Absolute Total Care	Blue Choice	First Choice	SC Solutions	United Healthcare	Fee-for- Service	Statewide Overall
SATISFACTION AND EXPERIENCE WITH PROVIDER NETWORK	Doctor Communicates Well with Patient							
	Adult	★★★★★	★★★★★	★★★★★	★★★★★	★★★☆☆	★★★★★	★★★★★
	Child	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★
	Rating of Personal Doctor							
	Adult	★★★☆☆	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★
	Child	★★★★★	★★★☆☆	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★
	Got Needed Care							
	Adult	★★☆☆*	★★☆☆*	★★★★★	★★★★★	★★★☆☆	★★★★★	★★★★★
SATISFACTION AND EXPERIENCE WITH ACCESS TO CARE AND HEALTH PLAN	Child	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★☆☆	★★★★★
	Got Care Quickly							
	Adult	★★★★★	★★★☆☆	★★★★★	★★★★★	★★★☆☆	★★★★★	★★★★★
	Child	★★★★★	★★★☆☆	★★★★★	★★★★★	★★☆☆*	★★★☆☆	★★★★★
	Customer Service							
	Adult	★★☆☆*	★★★☆☆	★★★★★	★★☆☆*	★★★★★	★★★★★	★★★★★
	Child	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★☆☆	★★★★★
	Overall Rating of Health Plan							
	Adult	★☆☆*	★★☆☆*	★★★★★	★★★★★	★★☆☆*	★★★★★	★★★★★
	Child	★★☆☆*	★★☆☆*	★★★★★	★★★★★	★★★★★	★★★☆☆	★★★★★
EXPERIENCE WITH CARE	Overall Rating of Health Care							
	Adult	★★★☆☆	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★
	Child	★★★★★	★★☆☆*	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★

SC measures beneficiary satisfaction using a standardized national satisfaction survey.

Many coordinated care plans and performance measures rank among the best in the nation.

There is considerable variation among the plans and significant room for improvement.

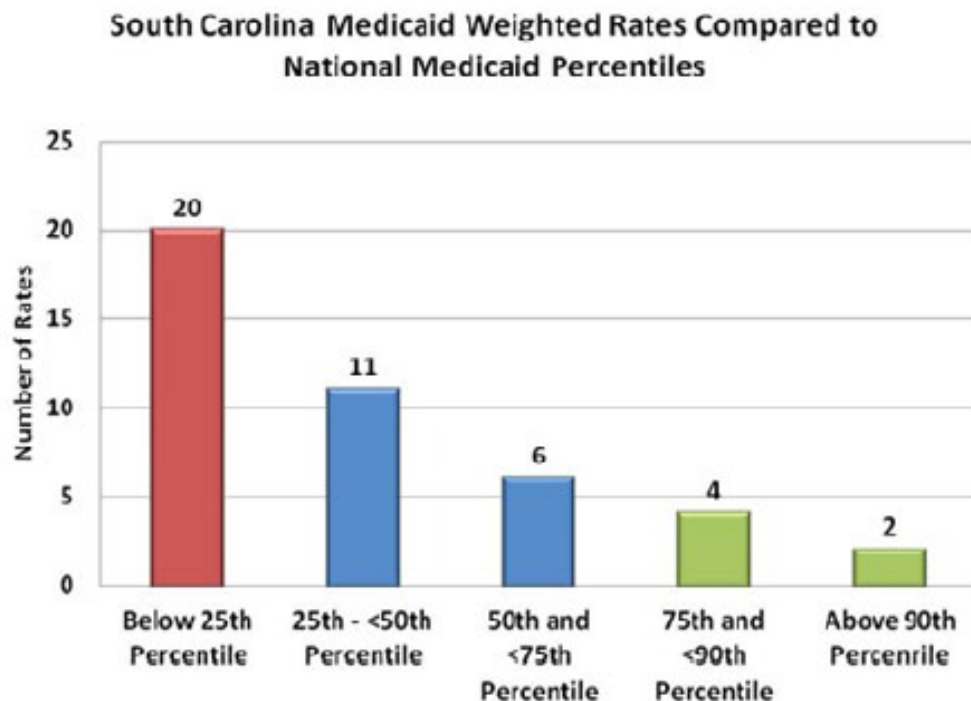
*Link to the SCDHHS website for
Cost and Quality Reports:
<http://www.scdhhs.gov/reports.asp>*

★★★★★ 90th Percentile or above
★★★★ 75th to 89th Percentile
★★★ 50th to 74th Percentile
★★ 25th to 49th Percentile
★ Below 25th Percentile

Note: Ratings are for CY 2010 compared to 2010 NQA Medicaid Benchmark.
Data Source: CAHPS 4.0 Adult and Child Surveys

State-wide Medicaid HEDIS Scores

Figure 1



For MCOs, MHNs and FFS combined, 31 of 43 HEDIS quality measures showed improvement in 2010 vs. 2009.

Coordinated Care (MCOs and MHNs) produces overall higher quality at a lower cost compared to fee-for-service.

There is still considerable variation among the plans and significant room for improvement.

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FY 2013 Budget Request

FY 2013 Budget Request: Overview



	State	Federal	Other	Total
Continuation Base Budget	\$ 967,193,610	\$ 3,306,834,241	\$ 337,736,269	\$ 4,611,764,120
Non-recurring Base	<u>242,729,456</u>	<u>-</u>	<u>-</u>	<u>242,729,456</u>
Subtotal	\$ 1,209,923,066	\$ 3,306,834,241	\$ 337,736,269	\$ 4,854,493,576
New Spending Requests	<u>\$ 35,247,677</u>	<u>\$ 82,954,061</u>	<u>\$ -</u>	<u>\$ 118,201,738</u>
Subtotal	\$ 1,245,170,743	\$ 3,389,788,302	\$ 337,736,269	\$ 4,972,695,314
Non-recurring Capital Requests	<u>7,157,264</u>	<u>30,353,993</u>	<u>-</u>	<u>37,511,257</u>
SCDHHS Subtotal	\$ 1,252,328,007	\$ 3,420,142,295	\$ 337,736,269	\$ 5,010,206,571
State Agencies Total	<u>18,853,707</u>	<u>654,708,800</u>	<u>277,393,705</u>	<u>950,956,212</u>
SCDHHS Total Approved Budget	<u>\$ 1,271,181,714</u>	<u>\$ 4,074,851,095</u>	<u>\$ 615,129,974</u>	<u>\$ 5,961,162,783</u>

The continuation budget is expected to grow 2.8% to accommodate medical inflation and enrollment growth of 28,681 persons.

New spending consists primarily of ramp up costs for the minimum expected enrollment scenario in FY14.

Capital requests include continuations of previously approved multi-year IT efforts.



Looking Ahead

ACA Medicaid Expansion Impact

Population	FY 2013	FY 2014	FY 2015
Current Programs			
Medicaid	858,000	871,000	884,000
CHIP	66,000	67,000	68,000
Total	924,000	938,000	952,000
After Expansion - 73% Average Participation			
Expansion Population			
Parents/Childless Adults		236,000	236,000
Currently Insured Population (Crowd-out)			
Children and Currently Eligible Parents		79,000	79,000
Newly Eligible Parents/Childless Adults		97,000	97,000
Currently Uninsured (Eligible but Unenrolled)			
Children		51,000	51,000
Parents		40,000	40,000
SSI Disabled Eligible		7,000	7,000
Total Medicaid Population After Expansion		1,448,000	1,462,000

Affordable Care Act (ACA) Projections

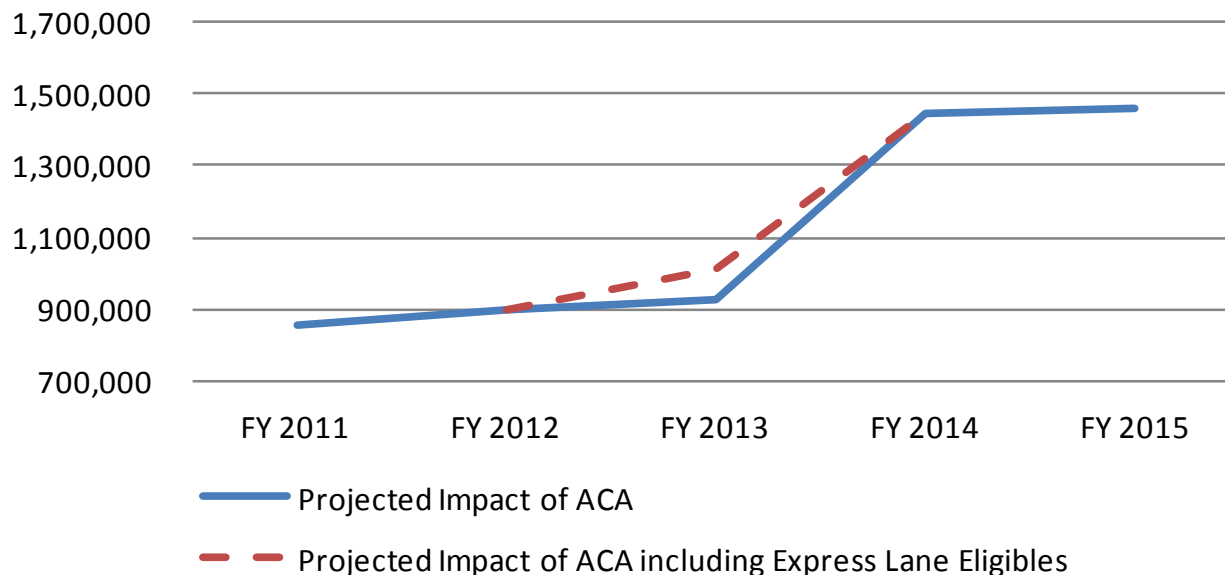
By FY 2015, latest actuarial estimates indicate that enrollment in the SC Medicaid program will exceed 1.46 million members.

For FY 2014 and FY 2015 combined, estimates indicate SCDHHS will need at least \$147 million additional match for ACA provisions and enrollment.

Source: Milliman

Preparing for the Minimum Expected ACA Medicaid Expansion Scenario

The Projected Impact of the Affordable Care Act on the Average Number of Monthly Eligibles



Establishing an “Express Lane” to enroll up to 70,000 currently eligible children during FY 2013 will prepare South Carolina for the impact of ACA.

Beyond the 70,000 children potentially enrolled by Express Lane in FY 2013, an additional 454,000 citizens could enroll during FY 2014.

Source: Milliman

Looking Ahead: Reduced Federal Medicaid Contributions

Federal Cost Shifting Currently Planned or Under Consideration

As in all states, SC Medicaid is facing enrollment increases even as federal matching funds are projected to decrease.

The potential for decreased federal contributions will require states to fund a larger share for their Medicaid programs.

By pushing out costs in the Medicaid program now, and making down payments toward FY 2014 expansions, the state can better respond to this new fiscal environment.

- **Reduced Federal Financial Participation**
Various proposals' recommendations to change FMAP funding formula will increase states' contributions
- **Reduced Disproportionate Share Hospital (DSH) Allotment**
Affordable Care Act: \$518 million reduction in federal funds from FY 2014 – FY 2020 for South Carolina*
- **Cap on Provider Taxes as a Source of State Match**
President's Budget Control Act: Reduce provider tax revenue threshold from current 6% to 3.5%

*Source: Milliman



Questions and Answers